

OPERATIONALIZING INNOVATIVE PROCUREMENT

Some Definitions

- **Pre-Commercial Procurement** – identifying a perceived need without a commercially available solution and harnessing relationships with vendor to meet such need.
- **Innovative Procurement** - procurement processes and strategies to enhance relationships with vendors in order to rapidly exploit innovation.
- **Procurement of Innovation** – procurement of existing innovative products or services which will overcome barriers or delays to provide suitable processes and systems management.
- **Procurement for Innovation**- a collective, general term including all activities to improve procurement to promote innovation within AHS.

Perceived Barriers

- Trade Agreements
- Time to execute Innovative Procurement
- Relationships/Partnerships with Providers
- Organizational Efficiency – do we have expertise to collaborate and get all stakeholders on side
- How do we screen for innovation – when is something an innovation?
- Procurement Staff Knowledge

Current Procurement Approaches

- One size fits all competitive bidding – no market based strategies in place (Commercial large, commercial small, local, NFP, Municipalities, Other?)
- Same process for a \$100K procurement as for a \$10M
- Evaluation criteria based on adding scores as opposed to reviewing what the final outcome will be
- Using trade agreements as crutch to avoid innovation

Some Scenarios on Innovative Procurement?

1. Clinician has an idea for a innovative product or service however requires forward commitment in order to proceed to next stage

Discussion – Can we do forward commitments?

2. Patient incident results in someone developing an innovative product – how do we purchase without competition

Discussion – Can we purchase this item without a RFX?

3. Procurement of a complex nature (IT, Outsourced Service, etc.) – traditional RFX, Joint Procurement Solution, define outcomes and needs as opposed to specification

Discussion – Will a traditional RFX work or a outcome based approach by testing the market place through a RFI?

Considerations in Innovative Procurement

- Some of the types of considerations that arise generally in connection with procurement for innovation:
 - Exceptions for Competitive Process - Is there an exception that would justify and allow flexibility in dealing with vendors without the need to use a competitive process?
 - Forward Commitments – In certain circumstances future commitments to such vendors or partners may be problematic as they could be considered unfair practice However, future commitments can be made in cases where the vendor was originally selected through some form of a competitive process.
 - Exclusion of Future Partners - The need to use competitive process for procurement may result in the exclusion of partners today that are able to deliver in the future.

Considerations in Innovative Procurement (cont'd)

- Competitive Process - The existing competitive process may not accommodate the needs of procurement for innovation process in allowing for alternate considerations in determining the successful vendor. Instead, a more evolutionary approach where specifications may be developed jointly during the procurement process may be desirable with one or two vendor's selected through a competitive process.

Some Ideas for Discussion

- Use RFI's to pre-qualify or screen for potential innovation developers or partners. The initial RFI documents must clearly outline intent once an innovation has been incubated from inception to market.
- Use of outcome based competitive process where documents describe what the end state requirements are as opposed to detailing specifications.
- Use market assessments to verify innovation is such that no one else has that innovative product or service.
- Contact Procurement early at discussion and strategy development – not at the very end when you are simply requesting procurement approve your proposal

DISCUSSION & QUESTIONS